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For action

Biennial support budget for 2000-2001

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Children's Fund (UNICEF) on the biennial support budget for 2000-2001 (E/ICEF/1999/AB/L.7). In addition, the Committee had before it reports on amendments to the UNICEF financial regulations (E/ICEF/1999/AB/L.9) and on UNICEF strategy and investments in information technology (IT) (E/ICEF/1999/AB/L.6). During its consideration of the reports, the Committee met with the Executive Director and her representatives, who provided additional information.

2. The Advisory Committee welcomes the improvements in the presentation of the report on the biennial support budget and the additional information provided during the Committee's examination of the estimates for the biennium 2000-2001. The Committee notes that efforts have been made to include in the budget report an indication of the implementation and follow-up of almost all of the prior recommendations of the Committee, as specifically mentioned, for example, in paragraphs 4, 8 and 98 of the report. As requested by the Committee in its report on the UNICEF biennial support budget for 1998-1999 (E/ICEF/1998/AB/L.2, paras. 9, 12, 26 and 27), explanations and annexes have been provided, for example, on the integrated budgeting approach (E/ICEF/1999/AB/L.7, paras. 33-35); on the programme and support budget and the number of posts funded from the two sources (E/ICEF/1999/AB/L.7, annex III); and on the medium-term plan of the Private Sector Division (E/ICEF/1999/AB/L.7, annex IV).

Resources income

3. Table 1 of the budget report shows that for the biennium 2000-2001, total projected resources would amount to $2,662.0 million, as compared with planned resources of $2,345.0 million for the biennium 1998-1999. For 2000-2001, regular resources are projected at $1,378.0 million and other resources at $1,284.0 million, as compared with regular resources of $1,228.0 million and other resources of $1,117.0 million for 1998-1999. Upon request, the Advisory Committee was informed that revised total resources in 1998-1999 would amount to $2,507.0 million, comprising opening balances of $374 million, actual resources in 1998 of $1,059.4 million and revised total resources in 1999 of $1,073.5 million.

4. For the biennium 2000-2001, income from the private sector for both regular resources and

* E/ICEF/1999/15.

other resources is projected at $725 million, or 27.2 per cent of the total resources projected for 2000-2001, as compared with private sector income of $616 million for the biennium 1998-1999, or 26.3 per cent of the total resources. Annex IV to the budget report shows the private sector annual income and expenditure estimates for 1999-2001.

5. Resources from fees to be received for procurement services of supplies are projected at $14 million for the biennium 2000-2001, as compared with $8 million for the biennium 1998-1999, or 75 per cent higher. The Advisory Committee sought clarification as to the reasons for the increase in the projection for this category of resources and was informed that "the procurement services throughput handled by the Supply Division increased from $54 million in 1997 to $88 million in 1998. It is expected to increase to $150 million in 2001."

6. Resources shown under special accounts in table 1 are estimated at $100 million for 2000-2001, as compared to $60 million for 1998-1999. The Advisory Committee recalls that resources under special accounts are funds from Governments, other organizations of the United Nations system and non-governmental organizations (NGOs) that are accepted and administered within the framework of the UNICEF mandate, but that do not constitute part of UNICEF income (E/ICEF/1998/AB/L.2, para. 11). Upon inquiry, the Committee was informed that, based on projections for the oil-for-food programme in Iraq and recent negotiations with the World Bank and others, the special account income is now projected to total $150 million for 1998-1999 and at least $100 million for 2000-2001.

7. The Advisory Committee understands that amounts budgeted under special accounts are for activities that are consistent with the UNICEF mandate but outside the programme approved by the Executive Board for UNICEF (e.g., the oil-for-food programme). That being the case, the categorization of special accounts at UNICEF is similar to what has been categorized as trust funds in other funds and programmes of the United Nations. The Committee recommends that UNICEF use the standard terminology used by other funds and programmes for this type of resource.

8. As requested by the Advisory Committee, table 1 shows the estimated total closing balances for the bienniums 1998-1999 and 2000-2001, amounting to $428 million and $373 million, respectively. The Committee recalls that, as compared with other funds and programmes of the United Nations system, for example, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Office for Project Services (UNOPS), UNICEF has not established an operational reserve (report A/53/5/Add.2). As indicated in paragraph 8 of the biennial support budget for 2000-2001, UNICEF maintains a liquidity policy with a minimum year-end regular resources convertible cash balance equal to 10 per cent of the projected regular resources income. The cash balance for other resources can vary widely, depending on the timing of the receipts of funds and the implementation of the programmes. The Committee is aware that the year-end balances are a function of liquidity as well as efficiency of programme delivery, and that year-end balances and operational reserves are not the same; the amount for the operational reserve is set at the time of approval of the budget, while year-end balances are known only at the end of the period concerned and not at the beginning.

9. Accordingly, the Advisory Committee recommends that UNICEF analyse the advantages and disadvantages of establishing an operational reserve for both regular and other resources, taking into account the experience of other funds and programmes in this regard (DP/1999/5/Rev.1) and the pertinent observations of the Advisory Committee above (see also DP/1999/26).

10. As indicated in paragraph 7 and table 1 of the report, for 2000-2001, 76.2 per cent of the total resources will be used for programmes, and the remaining 23.8 per cent for the support budget (15.5 per cent for programme support and 8.3 per cent for management and administration). The Advisory Committee notes that the proportion of resources for the support budget would be reduced from 26.6 per cent in 1998-1999 to 23.8 per cent in 2000-2001.

II. Biennial support budget estimates for 2000-2001

11. As shown in table 1 of the budget report, for 2000-2001, the biennial budget estimates financed from regular resources amount to $545.5 million gross ($493.5 million net), as compared to $527.4 million gross ($493.5 million net) for 1998-1999.

12. Estimated income and adjustments to the biennial support budget amount to $52 million for 2000-2001 (including $40 million from recovery

charges), as compared to estimated income to the support budget of $33.9 million for 1998-1999 (including income from recovery charges of $24.4 million). Recovery charges are to cover the costs for programme support and management and administration, which the organization must bear to implement other resources. The methodology upon which the recovery charges are currently based is discussed briefly in paragraphs 96-98 of the budget report. The Advisory Committee was informed that the new recovery rate of 5 per cent was introduced after the second regular session of the Executive Board in 1998. This rate is to be applied, in accordance with Executive Board decision 1998/21 on "Review of the recovery policy of UNICEF" (E/ICEF/1998/6/Rev.1), to all new agreements to be signed after the second regular session of the Executive Board in 1998. The Committee notes in table 8 that potential interest income that could be earned on other resources cash balances would be used to offset the total variable cost. Thus, for the biennium 2000-2001, the potential future interest, estimated at $36 million, would be used to reduce the percentage of indirect support to total other resources programmes from 9 per cent to 5 per cent. The Committee questions the appropriateness of using future interest income to determine the recovery rate.

13. The Advisory Committee has questioned the procedure whereby interest income that is credited to regular resources would, in fact, be used to offset support costs, as it does not provide a clear accounting trail (E/ICEF/1998/AB/L.12, para. 8). The Committee reiterates its view that, in light of potential fluctuations in the pattern of receipts and disbursements of other resources, as well as fluctuations in exchange rates and interest rates, it would not be prudent, as a matter of policy, to rely on interest income accruing on cash balances of other resources to cover shortfalls in support costs recovery (E/ICEF/1998/AB/L.12, para. 9).

14. The Advisory Committee is of the opinion that a 5 per cent recovery is inadequate in view of the current level of other resources. The projected increase in regular resources may, for the time being, obviate the need for urgent review of the recovery rate. In annex V(c) of the budget report, the Executive Director, using various assumptions, estimates a recovery rate of 14 per cent. In this connection, the Committee recommends that UNICEF continue to compile adequate data so that it will be able to calculate, in due course, a recovery rate that should further reduce the apparent subsidy from regular resources.

15. The Advisory Committee recalls that, for the biennium 1998-1999, the Executive Director had estimated provisions of $14.7 million to cover the amount needed to refund staff members for income taxes levied by Member States in respect of income derived from the organization (E/ICEF/1998/AB/L.1, paras. 39 (a)(iv) and 40 (d)). In this connection, the Committee had been informed by UNICEF that it intended to follow the same approach as UNDP and UNFPA and charge the equivalent of the amount needed to refund staff members for income taxes levied by Member States to the voluntary contributions of the countries concerned and credit the biennial budget in the same amount (E/ICEF/1998/AB/L.2, para. 15). The Committee further recalls that, as with the budgets of UNDP and UNFPA, it endorsed this procedure (DP/1997/31, para. 11, and DP/FPA/1997/15, para. 14). Prior to the introduction of the procedure, for a voluntary fund that does not have a tax-equalization fund, the amounts that were reimbursed for taxes levied by Member States were a direct charge to the biennial budget, and thus to the voluntary contributions as a whole, without any corresponding offset (DP/1997/CRP.9 and DP/1997/23, para. 61). The Committee agreed that the introduction of an accounting linkage with voluntary contributions of Member States that collect such income tax would allow for a more appropriate presentation of the net biennial budget costs (E/ICEF/1998/AB/L.2, para. 32).

16. The Advisory Committee notes from table 1 of the budget report that UNICEF does not show as income to the biennial budget the tax reimbursement estimates for 1998-1999 and 2000-2001, in accordance with the procedure indicated in paragraph 15 above. Upon inquiry, the Committee was informed that, of the total amount of $14.7 million for staff tax reimbursement in 1998-1999, $7.2 million was estimated for 1998 and $7.4 million for 1999. The actual amount of refunds to staff members for income taxes levied by the host Government amounted in 1998 to $8.8 million, and the actual voluntary contribution from this donor in 1998 was $100 million. The estimated amount for staff tax reimbursement for 2000-2001 is $15,785,300. These amounts are included as staff costs in the biennial budget with no offset of biennial budget resources. The Committee reiterates its recommendation that UNICEF implement the same procedure that the Committee endorsed for UNDP and UNFPA, and trusts that the intention referred to in paragraph 15 above will be reflected in the revised estimates for 2000-2001.

17. Table 1 shows that, for the biennial support budget, estimated income in 2000-2001 would include reimbursement of services amounting to $1 million under regular resources and $13.9 million under other resources. Upon inquiry, the Committee was informed that the income estimate of about $1 million under regular resources relates to the fees for the administration of the Junior Professional Officers programme sponsored by Governments. The amount of $13.9 million, under other resources, relates to income estimates from reimbursement of support costs (shown in summary table IV of the budget report) for procurement services carried out by UNICEF for Governments, United Nations agencies and NGOs.

18. As shown in table 3 of the budget report, changes in the net budget estimates for 2000-2001 include a net volume decrease of $1.8 million, offset by inflation/currency and other cost adjustments estimated at $19.8 million and an increase in estimated income to the support budget of $18.1 million. Thus, the net support budget estimate for 2000-2001 of $493.5 million is a near non-growth budget, as compared with the 1998-1999 approved support budget of $493.5 million (table 1, but $493.6 million in tables 2 and 3). The net volume decrease of $1.8 million reflects a decrease of $13.5 million, mainly as a result of efficiency savings, partially offset by a proposed increase of $11.7 million towards priorities of the medium-term plan and the strengthening of the support capacity of certain offices in Africa and global IT operations (E/ICEF/1999/AB/L.7, paras. 13-17).

19. Upon request, the Advisory Committee was provided with revised expenditure estimates for 1998-1999 by object of expenditure (see annex to this report). The Committee requests that in the future this information be included in the additional information given to the Committee in writing during its review of the budget, as requested in its report on harmonization (DP/1999/7, DP/FPA/1999/3, E/ICEF/1999/AB/L.4, para. 9).

20. The Advisory Committee notes from table 3 that the net volume reduction of $1.8 million in 2000-2001 includes proposals to reduce programme support at headquarters ($4.4 million) and increase management and administration of the organization at headquarters ($1.9 million), and programme support in country and regional offices ($0.7 million). Corresponding changes in posts in 2000-2001 are shown in table 5 of the budget report. The Executive Director proposes the addition of 8 posts, reflecting an increase of 64 International Professional posts and 15 National Professional posts and a decrease of 71 posts in the General Service and other categories.

21. Summary table III shows that for 2000-2001, the total number of posts proposed under the biennial support budget is 2,467 (790 International Professional, 244 National Professional and 1,433 General Service and other categories posts), as compared with the authorized staffing for 1998-1999 of 2,459 posts (726 International Professional, 229 National Professional and 1,504 General Service and other categories posts). Upon request, the Advisory Committee was informed that the actual vacancy rate for International Professional posts was 8.5 per cent as of July 1999, and that it is normal for the vacancy rate to be higher than the average for the biennium at this time of year. For the biennial support budget for 2000-2001, a vacancy rate of 6 per cent was budgeted for International Professional posts. UNICEF did not apply the vacancy rate to the General Service category and National Professional posts, as the vacant posts are, in some cases, filled by temporary assistance and the recruitment time is much shorter.

22. As shown in table 7 of the budget report, in 1998-1999, provision for UNICEF IT requirements amounts to $42.7 million. The Advisory Committee welcomes the efficiency gains derived from using new technology in UNICEF operations mentioned in paragraph 18 above; however, it notes that these gains have not been reflected in reduction of personnel at headquarters. On the contrary, of the 64 additional International Professional posts proposed for 2000-2001, 45 posts (or 70 per cent of the total) are for headquarters, for functions that, in the view of the Committee, do not require further increases in staff (see paras. 25 and 26 below). In the Committee's opinion, efficiency gains derived from the use of new technology and the implementation of cost-saving measures should at least keep in check the growth of staff costs at headquarters, while decreasing the number of support staff.

23. Upon inquiry, the Advisory Committee was informed that UNICEF established a target of one secretary to four professional officers for 1998-1999 (excluding the head of the office), and for 2000-2001 more offices have adjusted their staffing accordingly. Previously, UNICEF had an average secretarial ratio of two secretaries to three professional officers. The Committee welcomes these efforts but notes that, while attempts are made to present the biennial support budget for 2000-

2001 with no growth, the provision for posts would increase from $341.4 million in 1998-1999 to $364.4 million in 2000-2001, and other staff costs would increase from $18.7 million in 1998-1999 to $24.6 million in 2000-2001 (E/ICEF/1999/AB/L.7, table 2).

24. In paragraph 63 of the budget report, the Executive Director requests a third Assistant Secretary-General (ASG)-level post for a Deputy Executive Director. The Advisory Committee discussed this proposal with the Executive Director and her representatives. On the basis of this testimony, the Committee was not persuaded that an additional Deputy Executive Director post at the ASG level would be justified. Accordingly, the Committee does not recommend approval of the request.

25. As indicated in paragraph 68 of the budget report, the Executive Director proposes five additional posts for the Programme Funding Office (PFO), for a total of 31 posts in 2000-2001. The Advisory Committee does not see merit in increasing the number of posts in PFO. The level of contributions to UNICEF does not directly relate to the size of the funding office, and in the view of the Committee, the current level of 26 posts for this office should suffice.

26. In paragraph 79 of the report, three additional posts are requested for the Division of Human Resources (DHR). Upon inquiry, the Advisory Committee was informed that one additional post is at the P-4 level and two are General Service posts. These posts are requested to manage personnel data used for payroll purposes. In the Committee's opinion, a restructuring of DHR does not constitute a valid justification for the request. The reorganization described in paragraph 78 of the budget report should lead to a higher level of services and efficiency savings, rather than additional staff costs. Furthermore, human resources management is a function that should continue to profit from the use of extensive automation, thereby obviating the need for additional posts. Accordingly, the Committee does not recommend approval of three additional posts.

27. A net increase of two posts for the Operations Centre (OPSCEN) of the Office of Emergency Programmes is proposed in paragraph 54 of the budget report. Upon request, the Advisory Committee was provided with detailed information on the work of OPSCEN and its existing and proposed staffing for 2000-2001. The Committee recommends approval of the two additional posts (one P-3 and one General Service). The Committee also recommends that UNICEF explore with the United Nations Secretariat the feasibility of establishing a common approach to requirements for information relating to emergencies and humanitarian assistance, including the possibility of joint facilities.

28. The Executive Director proposes, in paragraph 57 of the budget report, that the post of Director of the International Child Development Centre in Florence be funded from the biennial support budget in 2000-2001. The Advisory Committee has no objection.

29. As regards the proposal for reclassification in the Division of Evaluation, Policy and Planning (para. 66), the Advisory Committee was informed, upon request, that five posts are proposed for reclassification. One P-5 post (Chief, Evaluation Section) would be reclassified at the D-1 level, two P-4 posts at the P-5 level and two P-3 posts at the P-4 level. Detailed reasons for the reclassifications were provided to the Committee. On the basis of the information provided, the Committee is not convinced that the reclassification to D-1 is warranted, but recommends acceptance of the other proposals.

30. There is a proposal to increase the staffing of the Division of Communication by four posts at the junior level (para. 77). Upon inquiry, the Advisory Committee was informed that the proposal included the abolition of two P-5 posts and one P-3 post and the establishment of one P-5, two P-3 and four P-2 posts, with different functions. Detailed explanations in writing were provided to the Committee in support of the abolition and establishment of the posts in question. The Committee has no objection.

31. The Advisory Committee notes from paragraphs 42 and 43 of the budget report that in the biennium 2000-2001, UNICEF will participate in the plan of the United Nations Development Group (UNDG) Sub-group on Common Premises and Services, for further establishment of common premises in the field. According to the plan endorsed by the four organizations participating in the establishment of United Nations Houses (UNDP, UNICEF, UNFPA and the World Food Programme), 15 United Nations Houses would be established by 2004 (DP/1999/CRP.5, para. 22). The share of the costs of UNICEF in the budget for the evaluation of potential projects, planning, management and oversight of the programme is estimated at $514,000 for the biennium 2000-2001. Costs related to the implementation of projects on common premises would be covered by each participating organization according to the amount of space it may occupy and

the actual costs for one-time items. UNICEF plans to fund its share in this category of expenditure from its existing reserve fund for field accommodation established in 1990. The Committee was informed that the long-term advantages offered by the establishment of common premises under the United Nation House programme, such as security, safety and opportunity for agreements on common services, would be preferable to the present arrangements.

32. In this connection, the Advisory Committee was informed that no direct costs have been identified for UNICEF participation in the UNDG and its sub-groups, or in the Executive Committees (on development, humanitarian affairs and peace and security), in which UNICEF has actively collaborated under the reform programme of the Secretary-General. The Committee was provided a list of United Nations working groups in relation to United Nations reform in which UNICEF participates.

III. Information technology

33. The Advisory Committee considered the progress report on the UNICEF strategy and investments in IT (E/ICEF/1999/AB/L.6). The Committee welcomes the report and commends UNICEF for the focus and leadership provided in the introduction of IT in the core functions of its operations.

34. As indicated in table 7 and paragraphs 94-95 of the budget report (E/ICEF/1999/AB/L.7), the overall IT budget for the biennium 2000-2001 would amount to $47.3 million, reflecting an increase of $4.6 million, or 10.8 per cent, as compared to the provision of $42.7 million for IT for the biennium 1998-1999. The Advisory Committee notes that the proposal includes the conversion of 25 consultant positions to posts in the biennial support budget, to a total of 74 posts and 74.5 full-time temporary staff (see also summary table III of the budget report).

35. Upon inquiry, the Advisory Committee was informed that UNICEF is in the process of implementing a Help Desk service. Detailed information was provided on staffing, workload statistics and coverage of its global and New York Help Desks. The Committee requests that this information be included in the next biennial budget estimates. The Committee notes with regret the information given in paragraphs 81-84 of document E/ICEF/1999/AB/L.6, which indicates that coordination in the field among members of the United Nations system tends to be haphazard on IT matters. The Committee trusts that with the trend to establish more United Nations Houses in the field, greater opportunity may be available for cooperation and coordination on common services, including IT matters.

IV. Financial regulations

36. The Advisory Committee considered proposals for amendments to UNICEF financial regulations as set out in document E/ICEF/1999/AB/L.9. The bulk of the amendments relates to changes brought about by the harmonization of budget presentations with UNDP and UNFPA. The Committee has no objection to the changes.

37. The Advisory Committee notes that a new regulation 8.6 is proposed. The objective, according to the administration of UNICEF, is to address the findings of the Board of Auditors. In the view of the Committee, the proposed amendment does not address the concern of the Board of Auditors or of the Committee (A/51/533, paras. 85-86). The Committee points out that the proposed amendment is, in fact, a definition of expenditure. This definition is already provided in Regulation 1.1(m) of the UNICEF financial regulations.

38. In paragraphs 12-18 of its financial report and audited financial statements for the biennium ended 31 December 1997 (A/53/5/Add.2), the Board of Auditors reiterated its concern on the issue of accounts and financial reporting of cash assistance to Governments. In its report for the biennium ended 31 December 1995, the Board had expressed concern about the long-outstanding cash assistance to Governments and the recording of such assistance as programme expenditure at the time funds were advanced to Governments, contrary to the definition of programme expenditures in the UNICEF financial regulations and the policy manual on accounts. The Board had therefore recommended that the Administration review the policy of recording cash assistance to Governments in line with the provisions of the financial regulations and the policy manual on accounts. In paragraph 61 of its report A/53/513, the Advisory Committee reiterated its regret that the recommendations of the Board had not been implemented by the UNICEF administration, even though it was fully supported by the Committee and endorsed in General Assembly resolution 51/225 of 3 April 1997.

39. Accordingly, the Advisory Committee does not recommend acceptance of the proposed new

regulation 8.6. The Committee insists that the UNICEF administration should comply fully with the recommendation of the Board of Auditors and implement the current UNICEF regulations. The Committee points out that when the Board of Auditors made similar observations on other funds and programmes (for example, the Office of the United Nations High Commissioner for Refugees and UNFPA), the administrations did not call for amendments to their financial regulations, but proceeded to take steps to implement the recommendations of the Board.

Annex

ESTIMATED PROJECTION FOR 1998-1999 AS COMPARED WITH THE APPROVED APPROPRIATION
(In thousands of United States dollars)

	Estimated projection for 1998-1999	Approved appropriation	Estimated unencumbered balances
Country and regional offices			
Posts	170,169.6	184,226.0	14,056.4
Other staff costs	7,688.5	7,918.3	229.8
Consultants	1,235.8	1,657.8	422.0
Travel on official business	11,325.5	12,158.4	832.9
Operating expense	50,087.6	53,792.4	3,704.8
Furniture and equipment	10,414.0	7,650.0 a/	(2,764.0)
Reimbursement	3,335.1	2,942.3 b/	(392.8)
Total, Country and regional offices	254,256.1	270,345.2	16,089.1
Headquarters			
Posts	156,668.9	157,139.2	470.3
Other staff costs	10,256.2	10,732.3	476.1
Consultants	5,382.5	3,943.1 c/	(1,439.4)
Travel on official business	9,396.4	10,232.5	836.1
Operating expense	55,792.5	57,803.0	2,010.5
Furniture and equipment	7,550.8	7,550.8	-
Reimbursement	9,812.5	9,749.8 d/	(62.7)
Total, Headquarters	254,859.8	257,150.7	2,290.9
Total			
Posts	326,838.5	341,365.2	14,526.7
Other staff costs	17,944.7	18,650.6	705.9
Consultants	6,618.3	5,600.9	(1,017.4)
Travel on official business	20,721.9	22,390.9	1,669.0
Operating expense	105,880.1	111,595.4	5,715.3
Furniture and equipment	17,964.8	15,200.8	(2,764.0)
Reimbursement	13,147.6	12,692.1	(455.5)
Total, Gross budget estimates	509,115.9	527,495.9	18,380.0
Income to the budget	(43,030.0)	(33,900.0)	9,130.0
Total, Net budget estimates	466,085.9	493,595.9	27,510.0

a/ Due to the implementation of PROMS, computer equipment needs to be upgraded.

b/ Due to increase in field security officers shared with other United Nations agencies.

c/ Due to enhanced PROMS Help Desk services.

d/ Due to United Nations reimbursement agreements concluded recently.